

# Department of Internal Systems

In compliance with the Regulation on Internal Systems in the Insurance and Private Pension Sectors published in the Official Gazette, in the structure where the responsibilities of our Company's Board of Directors regarding internal systems are fulfilled through the Audit Committee, a senior executive as the Head of Internal Systems serves as a member of the Audit Committee. The Risk Management, Internal Control, Legislation Compliance and Actuarial units operate under the Head of Internal Systems in terms of administrative and functional aspects.

## Risk Management Activities

Within the scope of the Company's capital adequacy, "Asset Risk", "Underwriting Risk", "Provision for Outstanding Claims Risk", "Reinsurance Risk" and "Foreign Currency Exchange Risk" are measured and assessed periodically.

"Counterparty Agency Risk" is followed up within the scope of the failure of the agents to fulfill their contractual obligations within the collection period, and "Counterparty Reinsurer Risk" within the scope of failure to receive collections from the reinsurers owed to the Company.

"Operational Risk" measurement is carried out within the scope of the possibility of loss arising from ineffective or unsuccessful internal processes, people and systems or external events, including legal risk.

In addition, as part of the Company's "Liquidity Risk" analysis; Current Ratio, Liquidity Ratio, Liquid Assets/Total Assets Ratio, Liquid Assets/Insurance Technical Provisions Ratio and Liquid Assets/Current Assets Ratio are calculated and reported periodically.

For Pension Mutual Funds, Value-at-Risk (VaR) Analyses, Retrospective Test Results, Risk Values, Leveraged Transactions, and Stress Tests are performed and the results of the funds are reported.

Regarding all these processes, 3 risk management reports were prepared in 2022.

In 2022, efforts were made to align with the principles outlined in the Regulation on Internal Systems in Insurance and Reinsurance and Pension Companies, which was officially published on 25 November 2021, under the number 31670, and the organizational structure and activities were adapted to comply with the new internal systems regulation.

## Internal Control Activities

The business plan for 2022 was created according to the business processes exposed to risk, test frequencies and risk scores, and control procedures were implemented on a regular basis in accordance with the test frequency. The Company's internal control system software is used to monitor control points, risk scores, importance levels, and control results. These elements, which are defined as control activities and incorporated into risk control matrices, are monitored both at the control and personnel levels. The outcomes of this monitoring process are then reported through the Internal Control System Software. The reports pertaining to the identified issues in the control results are submitted to both the Audit Committee and the General Manager for review. The report's findings and recommendations are implemented using the "Internal Control Recommendation Tracking Platform."

In 2022, efforts were made to align with the principles outlined in the Regulation on Internal Systems in Insurance and Reinsurance and Pension Companies, which was officially published on 25 November 2021, under the number 31670, and the organizational structure and activities were adapted to comply with the new internal systems regulation.

## Actuarial Activities

The Actuarial Directorate, which operates under the Internal Systems Department, was established on 17 August 2022 in accordance with the "Regulation on Internal Systems in the Insurance and Private Pension Sectors" published in the Official Gazette on 25 November 2021 under the number 31670. Since this date,

studies have been conducted in order to fulfill the requirements of the directorate's establishment and the internal systems regulation. The internal regulations, procedures, job descriptions and business plans of the Department have been developed. The Actuarial Directorate maintains its activities with a manager and an expert personnel within the scope specified in its own business plan and internal systems regulation.

## Legislation Compliance Activities

The Company ensures that all new transactions and products are handled in compliance with the Law, relevant legislation, Company policies, and insurance practices. All activities are planned and executed to determine the Company's responsibilities for complying with legal obligations and regulatory requirements. Compliance processes are managed by effectively monitoring them through policies, procedures and application principles. It supports the business units in the processes carried out by them and controls the adequacy, effectiveness and compliance of the processes and compliance controls by conducting evaluations in collaboration with the relevant units.

Furthermore, it is ensured that the compliance program is carried out for the fulfillment of the regulations published by the Financial Crimes Investigation Board (MASAK).

The compliance officer evaluates potentially suspicious transactions that he/she has been notified or become aware of sua sponte and notifies those that he/she concludes to be suspicious to the Financial Crimes Investigation Board (MASAK).

The Audit Committee regularly reports the Company's risk exposure in relation to the use of the insurance service offered by the Company for money laundering or terrorist financing purposes and findings obtained from monitoring and control activities.